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FEDERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY

November 23, 1998

Ms. Magalie R. Salas Secretary Federal Communications Commission Room 222 1919 M Street, N.W. Washington, DC 20554

RE: 1998 Biennial Regulatory Review -- )
Review of Customer Premises Equipment )
And Enhanced Services Unbundling Rules ) CC Docket No. 98-183
In the Interexchange, Exchange Access and )
Local Exchange Markets )

Dear Ms. Salas:

The Enterprise Networking Technologies Users Association (ENTUA) hereby files its comments for the above-referenced proceeding. ENTUA is a global users association focused on stimulating the development of products and services to meet the telecommunications needs of the business community.

ENTUA was formed in 1997 from the former SDN User Association and the AT&T Inbound (800) User Association. The combined entity, ENTUA, is an independent incorporated association of 250 large businesses. Our membership is comprised of a broad spectrum of companies with diversified network interest in domestic and international communications.

Our members are innovative, forward-thinking telecommunication leaders, seeking to drive quality, efficiency and technological innovation. The Government Issues and Policy Committee seeks, on the general membership's behalf to inform decision-makers of the regulatory framework that best supports these goals. The Users Association represents some of the largest national and international firms, which

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collectively spend billions annually on telecommunications products and services.

ENTUA supports the commission in its tentative view that non-dominant interexchange carriers should be allowed to bundle CPE with transport Customers, particularly large businesses would benefit from services. the economies of scale that an interexchange carrier could provide. Typically, large customers buy CPE in non-linear cycles that do not allow them to constantly take advantage of their buying power. For example as a new generation of CPE is introduced to the market, a customer may make a large investment in a single year, and smaller investments in subsequent years. By entering into a contract to buy CPE in conjunction with transport services, large customers will be able to purchase CPE, even in years with a low volume at the same discounts as in high volume years. For example, one of our members, a very large company, is able to buy data CPE from an RBOC at a greater discount than it can negotiate directly with the manufacturer. This supports our statement that carriers can negotiate deeper discounts with manufacturers than customers can negotiate directly. Beyond this bundling should allow further cost reductions by reducing sales and negotiating costs.

We agree with the Commission's tentative conclusion that substantial competition has developed in the markets for CPE and the interexchange markets. We further agree that it is unlikely that nondominant interexchange carriers could engage in anticompetitive conduct that could force customers to buy CPE in conjunction with transport services. Also, with AT&T's divestiture of its equipment division, now Lucent Technologies, there are no interexchange carriers engaged in any significant manufacturing of CPE. Most large users have selected a standard configuration of CPE. Since most CPE has proprietary operating systems, most large users limit the number of vendors that are used in a corporate network to as few as possible. This simplifies operation of corporate networks by minimizing the amount of expertise and training needed by corporate network staff. Clearly, with the investment in equipment and staff training that is already invested in corporate networks, it is unlikely that an interexchange carrier could have any undue influence in the selection of CPE for large users. Not only is it unlikely that interexchange carriers would be able to improperly influence decisions on the purchase of the next generation of CPE, it is likely that customers will drive the CPE offering choices of network vendors.

We also do not agree with IDCMA's argument that bundling would force a customer to buy from carriers or that this would be the only viable alternative. While bundling may offer customers cost-effective alternatives, it will not be the only alternative. It is unlikely, for instance, that the amount saved on equipment would offset the cost of a less competitive telecommunications services contract for most high volume users. If one carrier does not offer a customer the right set of products and services, the customer will simply go to a carrier that does, or continue to purchase products and services separately.

ENTUA believes that sufficient competition exists in both the interexchange market and the CPE market to justify the Commission's lifting of the bundling restriction. As shown above lifting the restriction could lower prices for customers.

Respectfully Submitted,

Jeffrey M. Lewis, Chairman Government Issues and Policy

Committee, Enterprise

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